

**Testimony of Martin J. Gavin, President & CEO of Connecticut Children's Medical Center
to the Appropriations Committee
Regarding the Department of Social Services Budget for Fiscal Years 2014-2015
February 14, 2014**

Senator Bye, Representative Walker, members of the Appropriations Committee, thank you for the opportunity to submit testimony regarding the Department of Social Services budget. I would like to share with you some information about the unique resources that Connecticut Children's provides to our State's most vulnerable citizens and our relationship with the HUSKY program.

Connecticut Children's is the only hospital in the state that cares exclusively for children and it is a critical asset to all of us in Connecticut. As a center for vital research, a pioneer in new treatments, a trailblazer in advanced technology, and a teacher of future pediatric professionals, Connecticut Children's is advancing the health and wellness of all of our children, and fostering a healthier future for our state.

All children should have the health care they need to grow and learn. Connecticut Children's offers the full spectrum of pediatric medical care to children from each of Connecticut's 169 cities and towns. On a typical day at Connecticut Children's more than 1,200 patients will walk through our doors, more than 153 children will visit the Emergency Department, and more than 40 children will undergo surgery.

In 2013, Connecticut Children's provided children and families with access to a comprehensive system of 21 provider locations and community-based programs designed to promote children's healthy development. Of particular note, we opened our new surgery center in Farmington, and expanded access to critical services including cardiovascular surgery, Extracorporeal Membrane Oxygenation, and our pediatric transport program. In 2014, we will expand access to primary care services by moving into our new, larger facility on New Britain Avenue in Hartford.

Connecticut Children's researchers brought in nearly \$16 million in federal and private research dollars this year, contributing to the viability of the State's emerging bioscience corridor. Included in this total was a \$10.5 million grant from the National Institutes of Health to fund the national Pediatric Inflammatory Bowel Disease Collaborative, a national program housed at Connecticut Children's, and a Hyundai Scholars Award for Cardiovascular Research.

In addition to the benefits for families, the State of Connecticut also derives specific benefits from our integrated model of pediatric care. Our new vision is to make children in Connecticut the healthiest in the nation. Community child health is highlighted as one of the six primary pillars of Connecticut Children's new strategic plan. Some might suggest that focusing on

keeping children healthy is illogical for a children's hospital with inpatient beds to fill. However, promoting each child's optimal healthy development is not only the right thing to do for children and families, its emphasis on cross-sector collaboration and efficiency makes strategic sense in the context of national health reform.

Connecticut Children's and Medicaid have a unique relationship and they need a strong partnership in order to meet the needs of the 283,000 children—more than one out of every three statewide—who rely on Medicaid for their health care coverage. With more than half of our inpatient care and nearly two-thirds of our emergency care devoted to children who rely on HUSKY, Connecticut Children's has by far the highest Medicaid percentage of any Connecticut hospital. During the economic downturn, those percentages have increased significantly as children have switched from private coverage to Medicaid. Connecticut Children's Medicaid inpatient days have increased by 20% in the past two years.

Recent trends in Connecticut Children's Medicaid volume have a significant impact on increasing costs and reimbursement rates have not kept pace. In 2006, 44% of Connecticut Children's inpatient care was provided to children who rely on Medicaid. For FY2014, Connecticut Children's has projected an inpatient load of 55%, but in December 2013, it was 57%. Each percentage increase in Medicaid load has a significant impact on the Medicaid loss. Medicaid inpatient days went from 31,038 in FY2006 to 46,107 in FY2013, a 49% increase.

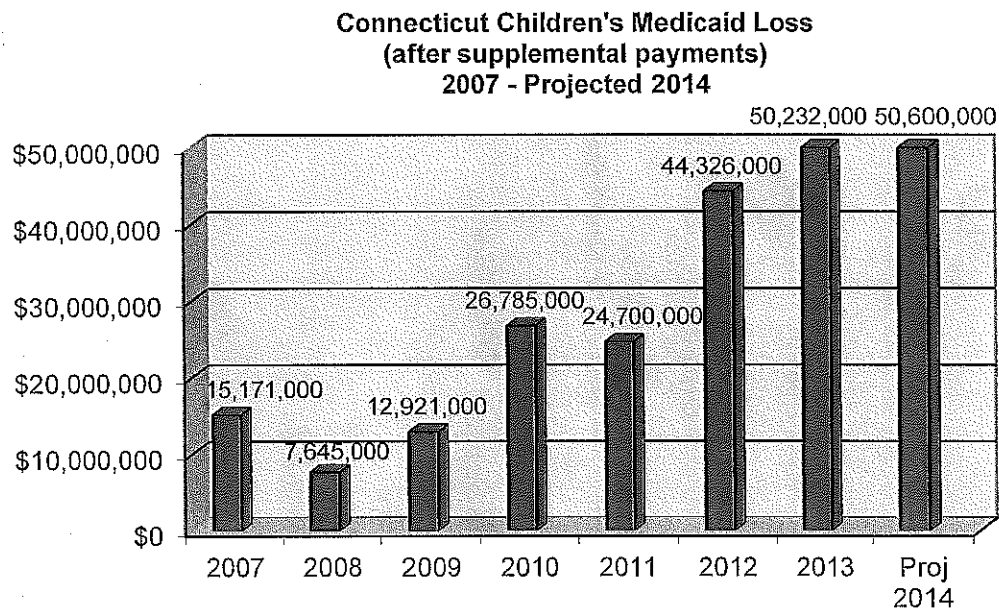
Connecticut Children's Recent Medicaid Trends			
Year	Percent of costs covered by Medicaid payments	Percent of inpatient care devoted to children who rely on Medicaid	Medicaid loss
FY2011	80%	54%	\$24,700,000
FY2012	70%	55%	\$44,326,000
FY2013	69%	52%	\$50,232,000
FY2014 (projected)	70%	55%	\$50,600,000

Connecticut's challenges with providing adequate services for children in behavioral health crisis is one significant driver of our Medicaid loss. In 2013, almost 2,500 children and adolescents in behavioral health crisis were brought to Connecticut Children's Emergency Department (ED). Once they are medically cleared, some of these children are transferred to the Child and Adolescent Rapid Emergency Stabilization (CARES) unit on the Institute of Living campus, but far too many have to spend one or more nights in our ED awaiting an available inpatient bed at another facility. Children and adolescents in behavioral health crisis spent a total of 1,906 nights in Connecticut Children's 25-bed ED in 2013. Nearly \$3 million of Connecticut Children's annual Medicaid loss is attributable to the care we provide to these children.

At the end of October 2013, Connecticut Children's learned that hospital outpatient rates for FY2012 were to be updated to the FY2009 cost report and that \$1.9 million would be taken from

the November Medicaid payments. DSS did not update the inpatient rates at the same time. If inpatient rates for FY2012 dates of service had also been updated to the FY2009 cost report, DSS would owe Connecticut Children's \$7.3 million. Updating rates to reflect costs is appropriate but choosing to update only outpatient rates and not inpatient rates is extremely disadvantageous to Connecticut Children's. Connecticut Children's anticipates that DSS will update hospital outpatient rates for FY2013 dates of service to the FY2010 cost report during the current fiscal year. This adjustment is projected to reduce Connecticut Children's Medicaid revenue in FY2014 by \$3.4 million.

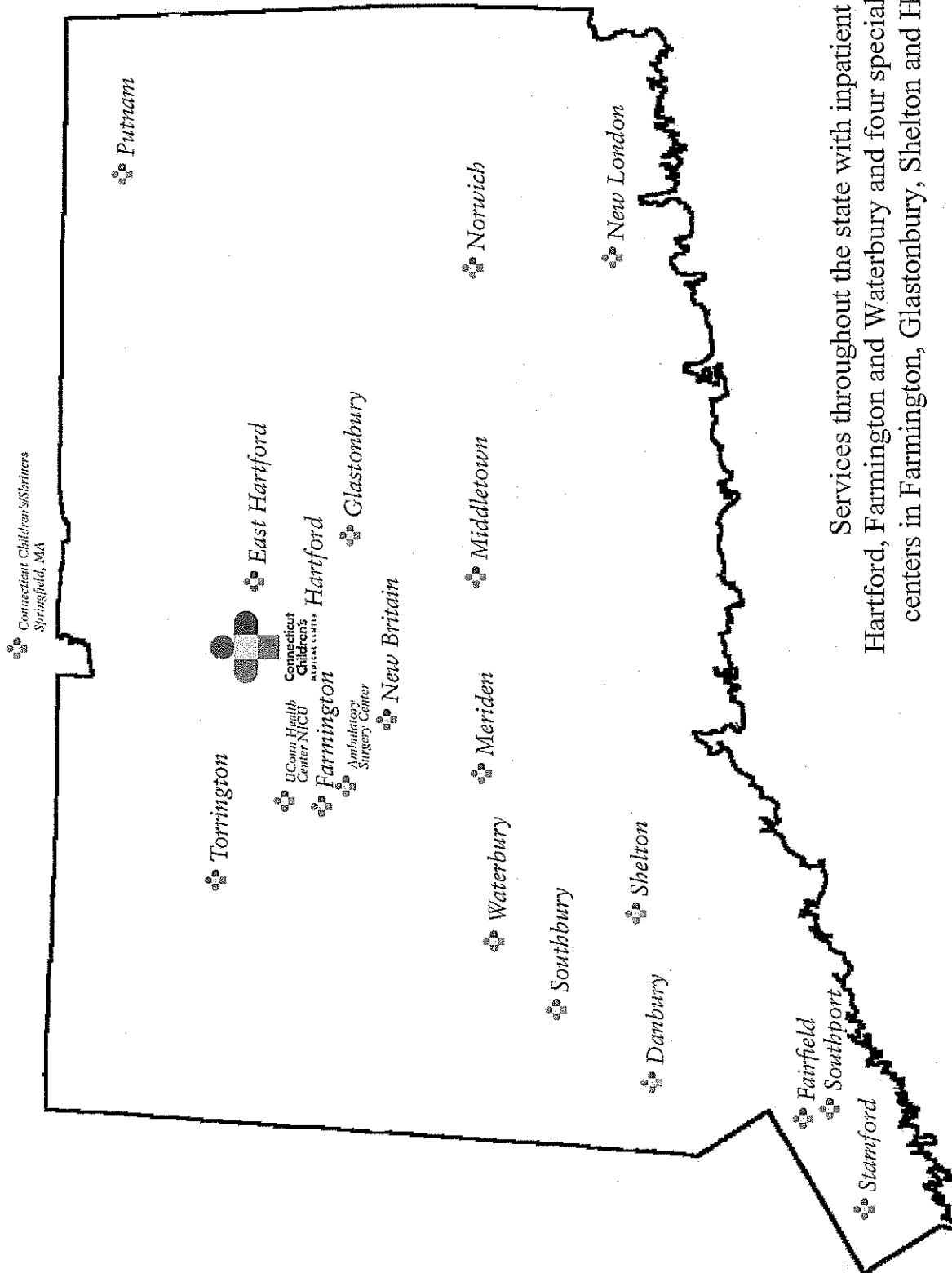
Connecticut Children's current and growing Medicaid shortfall threatens our long-term financial solvency. The ongoing loss trend reduces our ability to make needed capital investments and impairs our ability to recruit and retain exemplary staff. Connecticut Children's is projected to spend \$50,600,000 more caring for children who rely on Medicaid than we expect to receive in State reimbursements in 2014. \$50 million represents 17% of Connecticut Children's projected net revenue for this year, and it jeopardizes our ability to meet the needs of all of Connecticut's children, HUSKY or not. Ultimately, the State needs to create a long-term financial solution that allows us to be reimbursed closer to our costs for Medicaid services.



Cutting costs cannot solve the problem. Connecticut Children's is one of the most cost-effective children's hospitals in the country and our operating expenses per adjusted patient day are 24% lower than that of the average independent children's hospital.

As the region's only academic medical center dedicated exclusively to the care of children, Connecticut Children's strategic plan positions us to achieve our new vision—to make the children in Connecticut the healthiest in the nation. We must forge a strong partnership with the State so we can continue to provide care that is critical for Connecticut's future.

Connecticut Children's 2014 Locations



Services throughout the state with inpatient care in Hartford, Farmington and Waterbury and four specialty care centers in Farmington, Glastonbury, Shelton and Hartford